

CITY OF MITCHELLVILLE, IOWA
Independent Auditors' Report
Basic Financial Statements and
Supplemental Information and Findings

June 30, 2012

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City of Mitchellville, Iowa
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Roberts	Mayor	December, 2013
Peggy Olson	Council Member	December, 2011
Dean McGhee	Council Member	December, 2015
Deb Thomas	Council Member	December, 2015
James Scott	Council Member	December, 2015
Chad Snyder	Council Member	December, 2013
Steve Zook	Council Member	December, 2013
Kristen May	City Clerk/ Administrator	November, 2012
Ruth Norton	City Administrator/ Clerk	Indefinite
Bill Mallory	City Attorney	Indefinite
Timothy Brandt	Director Public Works	Indefinite
Mike Twohey	Fire Chief	Indefinite

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Mitchellville

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mitchellville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also included our report on our consideration of the City of Mitchellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (none of which is presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

April 30, 2013

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follows.

FY 2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by \$91,409 from FY 2011 to FY 2012 due to increased Operating Grants increased Charges for Services, and Tax Increment Financing.
- The general government disbursements decreased \$57,767 from FY 2011 to FY 2012 due to reduced Debt Service and Public Works disbursements.
- The City's total cash basis net assets for FY 2012 were \$954,914. Of this amount, the assets of the governmental activities were \$459,626 and the assets of the business type activities were \$495,288.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's finances.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records based on cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps, answer this question.

The Statement of Activities and Net Assets present the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government, operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer fund.

3) The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	June 30, 2012	June 30, 2011
Program receipts:		
Charges for service	\$131,671	\$102,982
Operating grants, contributions and restricted interest	\$308,088	\$283,315
General receipts:		
Property tax		
for general purpose	\$513,336	\$460,356
for debt service	\$113,490	\$147,569
Tax Increment Financing	\$26,623	\$0
Unrestricted investment earnings	\$2,232	\$2,927
Miscellaneous	\$17,475	\$24,357
Transfers	\$61,498	\$61,700
Total receipts and transfers	\$1,174,413	\$1,083,206
Disbursements:		
Public safety	\$312,973	\$327,179
Public works	\$229,355	\$254,744
Health & Social Services	\$1,000	\$1,250
Culture and recreation	\$135,225	\$135,443
Community and economic development	\$25,641	\$5,960
General government	\$67,576	\$53,633
Debt service	\$221,147	\$272,475
Capital Project	\$0	\$0
Transfers		
Total disbursements	\$992,917	\$1,050,684
 Increase(decrease) in cash basis net assets	 \$181,496	 \$32,522
Cash basis net assets beginning of year	\$278,130	\$245,608
Cash basis net assets end of year	\$459,626	\$278,130

The City's total receipts for governmental activities were \$1,174,413 and the total disbursements of all programs and services were \$992,917. The cash-basis net assets end of year 2012 was \$459,626, which was an increase of \$181,496 from the previous year.

Changes in Cash Basis Net Asset of Business Type Activities

	June 30, 2012	June 30, 2011
Program receipts:		
Charges for service		
Water	\$387,146	\$379,136
Sewer	\$255,302	\$273,169
 Total receipts	 \$642,448	 652,305
Disbursements and transfers:		
Water	\$406,237	\$377,174
Sewer	\$343,446	\$273,118
Transfers	\$61,498	\$61,700
Total disbursements and transfer	\$811,181	\$711,992
 Increase (decrease) in cash balance	 (\$168,733)	 (\$59,687)
Cash basis net assets beginning of year	\$664,021	\$723,708
Cash basis net assets end of year	\$495,288	\$664,021

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$459,626. An increase of \$181,496 from last year's total of \$278,130. This is due to increase in General Purpose Property Tax, Road Use Tax and Other non-major Governmental Fund balances.

- The General Fund cash balance had an increase in revenues, and a slight decrease in spending. The increase in revenues was from Public Safety where charges for services increased \$37,804 from \$2,412 in the prior year. General receipts for general purpose property tax increased \$52,980 from, \$460,356 for an end of year balance of \$513,236. The decrease in spending was Public Safety and Public Works.
- The Road Use Tax Fund cash balance had an increase of \$57,754 from \$106,691 for an end of year balance \$164,445. This is due to street projects were completed and paid after year-end. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$80,589 due primarily to increase in disbursements.
- The Sewer Fund cash balance decreased by \$88,144, due to decrease in revenues as well as an increase in disbursements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,450,000 is below its constitutional debt limit of \$3,758,214.

The City of Mitchellville has elected and appointed officials, and department heads who have considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES.

Currently at the end of FY12, the Employee Benefits Fund is still negative. The City Administrator is working on Employee Benefits, but it is tied to Certification of Taxes and the Budget, and will take a few years to obtain a positive balance.

The Ambulance sub fund is a part of the General Fund and had a deficit of \$69,149. Per city ordinance the City Administrator is not over the Fire Department and has made the Mayor and City Council aware of the issues with the Ambulance Fund. The City of Mitchellville completed a Capital Improvement Plan to be more fiscally responsible in planning different funds and debt service.

The Deer Run Development is located off Sixth Street NE. There were a few additional houses built in this fiscal year, the City is hoping more homes will be added to this development in the next year. The city is currently working on several projects with several different builders which we hope will have more homes built in 2013 and 2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ruth Norton, City Administrator/ Clerk, 204 Center Avenue N, PO Box 817, Mitchellville, Iowa 50169.

City of Mitchellville, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

Functions/Programs	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Governmental Activities
Governmental Activities				
Public safety	\$ 312,973	\$ 40,216	\$ 80,426	\$ (192,331)
Public works	229,355	77,204	214,336	62,185
Health and Social Services	1,000			(1,000)
Culture and recreation	135,225	2,833	13,326	(119,066)
Community and economic development	25,641	1,560		(24,081)
General government	67,576	9,858		(57,718)
Debt service	221,147			(221,147)
Total governmental activities	992,917	131,671	308,088	(553,158)
Business type activities				
Water	406,237	387,146		
Sewer	343,446	255,302		
Total business type activities	749,683	642,448		
Total	\$ 1,742,600	\$ 774,119	\$ 308,088	\$ (553,158)
General Receipts				
Property and Other City Taxes levied for				
General purposes				513,336
Debt service				113,490
Tax increment financing				26,623
Unrestricted interest on investments				2,232
Miscellaneous				17,475
Transfers				61,498
Total general receipts and transfers				734,654
Change in cash basis net assets				181,496
Cash basis net assets beginning of year				278,130
Cash basis net assets end of year				\$ 459,626
Restricted:				
Nonexpendable- Cemetery perpetual care				\$ 38,023
Expendable :				
Debt service				6,248
Streets				164,445
Other purposes				72,241
Unrestricted				178,669
Total cash basis net assets				\$ 459,626

There were no reconciling items between the Governmental and Proprietary Statements and the above Statement.

Business Type		
Activities	Total	
\$	\$	(192,331)
		62,185
		(1,000)
		(119,066)
		(24,081)
		(57,718)
		(221,147)
		(553,158)
	(19,091)	(19,091)
	(88,144)	(88,144)
	(107,235)	(107,235)
\$	(107,235)	\$ (660,393)

		513,336
		113,490
		26,623
		2,232
		17,475
	(61,498)	
	(61,498)	673,156
	(168,733)	12,763
	664,021	942,151
\$	495,288	\$ 954,914

\$	\$	38,023
	19,742	25,990
		164,445
		72,241
	475,546	654,215
\$	495,288	\$ 954,914

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue				Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Employee Benefits	Debt Service		
Receipts:						
Property Taxes	\$ 384,065	\$	\$ 117,836	\$ 113,490	\$ 11,435	\$ 626,826
Tax Increment Financing					26,623	26,623
Licenses and Permits	9,858					9,858
Use of Money and Property	2,232					2,232
Special Assessments					400	400
Intergovernmental	93,752	213,794			542	308,088
Charges for Services	121,813					121,813
Miscellaneous	15,875				1,200	17,075
Total Receipts	627,595	213,794	117,836	113,490	40,200	1,112,915
Disbursements:						
Operating						
Public Safety	258,347		54,626			312,973
Public Works	82,165	129,540	14,134		3,516	229,355
Health and Social Services	1,000					1,000
Culture and Recreation	116,502		18,723			135,225
Community and Economic Development	6,499				19,142	25,641
General Government	66,723		853			67,576
Debt Service				221,147		221,147
Total Disbursements	531,236	129,540	88,336	221,147	22,658	992,917
Excess (deficiency) of receipts over (under) disbursements	96,359	84,254	29,500	(107,657)	17,542	119,998
Other financing sources (uses)						
Operating transfers in	11,835			109,198	34,313	155,346
Operating transfers out	(55,513)	(26,500)			(11,835)	(93,848)
Total other financing sources (uses)	(43,678)	(26,500)		109,198	22,478	61,498
Net Change in cash balances	52,681	57,754	29,500	1,541	40,020	181,496
Cash balances beginning of year	155,665	106,691	(59,177)	4,707	70,244	278,130
Cash balances end of year	\$ 208,346	\$ 164,445	\$ (29,677)	\$ 6,248	\$ 110,264	\$ 459,626
Cash Basis Fund Balances						
Nonspendable- Cemetery perpetual care	\$	\$	\$	\$	38,023	38,023
Restricted for:						
Debt service				6,248		6,248
Streets		164,445				164,445
Other purposes					10,880	10,880
Assigned for fire station purposes					61,361	61,361
Unassigned	208,346		(29,677)			178,669
Total cash basis fund balances	\$ 208,346	\$ 164,445	\$ (29,677)	\$ 6,248	\$ 110,264	\$ 459,626

See notes to financial statements

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2012

	Water	Sewer	Total
Operating receipts			
Charges for service	\$ 387,146	\$ 255,302	\$ 642,448
Total operating receipts			
Operating disbursements			
Business-type activities	252,094	260,838	512,932
Total operating disbursements	252,094	260,838	512,932
Excess (deficiency) of operating receipts over (under) operating disbursements	135,052	(5,536)	129,516
Non-operating (disbursements)			
Debt service	(154,143)	(82,608)	(236,751)
Excess(deficiency) of receipts over (under) disbursements	(19,091)	(88,144)	(107,235)
Operating transfers out	(61,498)		(61,498)
Net change in cash balances	(80,589)	(88,144)	(168,733)
Cash balances - beginning of year	131,512	532,509	664,021
Cash balances - end of year	\$ 50,923	\$ 444,365	\$ 495,288
Cash basis fund balances			
Restricted for debt service	\$ 12,835	\$ 6,907	\$ 19,742
Unrestricted	38,088	437,458	475,546
Total cash basis fund balances	\$ 50,923	\$ 444,365	\$ 495,288

See notes to financial statements

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the year ended June 30, 2012

	Blake Trust	Library Memorial	Thomas Mitchell Historical Society
Receipts			
Use of money and property	\$ 687	\$ 20	\$
Miscellaneous		8,075	621
Total receipts	<u>687</u>	<u>8,095</u>	<u>621</u>
Disbursements		<u>8,942</u>	<u>32</u>
Net change in cash balances	687	(847)	589
Cash balance - beginning of year	62,892	15,039	2,911
Cash balance - end of year	<u>\$ 63,579</u>	<u>\$ 14,192</u>	<u>\$ 3,500</u>

City of Mitchellville, Iowa
Notes To Financial Statements
June 30, 2012

1/ Summary of Significant Accounting Policies

The City of Mitchellville is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, and City of Colfax Mutual Fire and Police Assistance Agreement.

As of July, 2010, in conjunction with 23 other governmental agencies, the City became a member, under a 28E agreement, of the Central Regional Iowa Drinking Water Commission, which shall provide planning activities for water supply, treatment, distribution and storage facilities when the activities impact two or more members. The Commission board consists of a representative of each of the participating members. Membership fees of \$ 920 were paid during the year ended June 30, 2012.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2012, the City paid the Metro Waste Authority \$ 16,308 for the Curb It Program.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in three categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Mitchellville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost- reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost- reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less restrictive classifications- committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a propriety funds' principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

2/ Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$753,365 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest Rate Risk – the City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but maturities shall be consistent with the needs and use of the City.

Credit Risk- the City's investment in the Iowa Public Agency Investment Trust is unrated.

3/ Bonds and Notes Payable

Urban Service Area Agreement

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. In prior years, the service fees were divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area. On October 29, 2009, the agreement was amended as follows: beginning in the year ending June 30, 2011 and continuing until January , 2026, the city will make annual payments to Polk County to repay 75% of the construction costs. As of June 30, 2012, the total to be paid is \$256,469. The remainder will be paid by revenues generated from connection fees and development agreements.

Annual debt service requirements for general obligation notes, and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds/ Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	149,000	49,275	154,000	76,530	303,000	125,805
2014	156,000	44,110	159,000	71,910	315,000	116,020
2015	162,000	38,660	163,000	67,140	325,000	105,800
2016	163,000	32,945	168,000	62,250	331,000	95,195
2017	140,000	27,130	174,000	57,210	314,000	84,340
2018-2022	452,000	69,010	948,000	204,720	1,400,000	273,730
2023-2028	228,000	17,400	785,000	56,220	1,013,000	73,620
Total	\$ 1,450,000	\$ 278,530	\$ 2,551,000	\$ 595,980	\$ 4,001,000	\$ 874,510

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$2,098,300. For the current year, principal and interest paid and customer net receipts were \$154,143 and \$135,052, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue capital notes issued in May 2004. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$1,048,680. For the current year, principal and interest paid and customer net receipts were \$82,608 and a deficit of \$5,536, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year. During the year, the City did not meet this test for both water and sewer operations due principally to a significant decrease in usage volume.

In January and May, 2012, the City increased the water rates as required by the above resolution.

4/ Urban Renewal Area Tax Increment Financing

In 1994, the City established an Urban Renewal Area. In accordance with Chapter 403.19 of the Code of Iowa, the City may enter into an agreement with the county, school and other taxing jurisdictions, to use the increase in taxes, as a result of the incremental property tax valuation increase, in the Urban Renewal Area. The taxes so collected are paid into the City's Special Revenue Fund and are expended on project costs and obligations.

In 2006, The City and Eastern Polk Development, LLC entered into a development agreement in which the City will pay the tax increment financing taxes to the entity, beginning on the date that the taxes become available and continuing for a total of ten fiscal years. The total payments shall not exceed \$700,000. The City has certified the agreement to the county auditor and the first year of collection was June 30, 2012. The obligation is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

The agreement specifically requires the developer to build on 20 lots which must qualify for low and moderate income (LMI) housing. Upon completion of such, the developer will receive \$200,000. The City is accumulating the LMI portion of the tax increment financing taxes in a special revenue fund. If the developer does not fulfill the obligation, the City will be required to develop a plan to spend the accumulated LMI funds in a residential development area. The balance of the tax increment financing taxes is being paid to the developer to satisfy the remaining obligation which at June 30, 2012 was \$480,859.

5/ Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$31,970, \$30,739, and \$28,908, respectively, equal to the required contributions for each year.

6/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned termination payments payable to employees at June 30, 2012, primarily relating to the General Fund, is \$17,000. This liability has been computed based on rates of pay as of June 30, 2012.

7/ Risk Management

- a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses

and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$27,702.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions; however, the refund is reduced by an amount equal to the annual casualty operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

- b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extends through June 30, 2012 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the period ended June 30, 2012, the City paid worker's compensation insurance premiums of \$17,013 to the Association.

8/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

	Transfer To				Total
	General	Fire Truck	Debt Service	FEMA	
Transfer from					
Water	\$	\$	\$ 61,498	\$	\$ 61,498
General		34,260	21,200	53	55,513
Emergency Levy	11,435				11,435
Road Use Tax			26,500		26,500
Special Assessment	400				400
	<u>\$ 11,835</u>	<u>\$ 34,260</u>	<u>\$ 109,198</u>	<u>\$ 53</u>	<u>\$ 155,346</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9/ Deficit Fund Balances

The Employee Benefits Fund had a deficit balance of \$29,677. The deficit was a result of expenditures being greater than property tax revenues. Subsequent receipts from property taxes will eliminate the deficit.

10/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

11/ Other Postemployment Benefits (OPEB)

Plan Description- The City participates in a single-employer benefit plan which provides medical/prescription drug and dental benefits for active employees, retirees and their spouses. There are 7 active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the full premium for the benefits while the City contributes to the premium of active employees.

Funding Policy- The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$881 for single coverage, and \$2,202 for family coverage. The City pays the full cost of the single coverage and 30% of the difference between single coverage and any family coverage for those employees electing such coverage. The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2012, the City contributed \$133,676 and plan members eligible for benefits contributed \$15,856 to the plan.

12/ Contingency

In July 2011, the U. S. Environmental Protection Agency (EPA) issued an Administrative Compliance Order based on an inspection of the Mitchellville Waste Water Treatment Facility. Subsequently, the City hired an engineering firm to address the EPA's remedial requirements and identify causes of the violations at the Facility. Among other issues, the engineers considered inflow and infiltration in the collection system. A report was submitted to the EPA in October, 2012. Included therein was the engineer's recommendation regarding the 2013 collection system rehabilitation project and to submit a Community Development Block Grant application to defray some of the project costs. To date, the potential future costs of complying with the Order has not been determined.

City of Mitchellville, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Funds Actual	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 626,826	\$	\$ 626,826
Tax Increment Financing	26,623		26,623
Licenses and Permits	9,858		9,858
Use of Money and Property	2,232		2,232
Special Assessments	400		400
Intergovernmental	308,088		308,088
Charges for Service	121,813	642,448	764,261
Miscellaneous	17,075		17,075
Total Receipts	1,112,915	642,448	1,755,363
Disbursements			
Public Safety	312,973		312,973
Public Works	229,355		229,355
Health and Social Services	1,000		1,000
Culture and recreation	135,225		135,225
Community and Economic Development	25,641		25,641
General Government	67,576		67,576
Debt Service	221,147	236,751	457,898
Business Type Activities		512,932	512,932
Total Disbursements	992,917	749,683	1,742,600
Excess (deficiency) of receipts over (under) disbursements	119,998	(107,235)	12,763
Other financing sources, net	61,498	(61,498)	
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	181,496	(168,733)	12,763
Balance - beginning of year	278,130	664,021	942,151
Balance - end of year	\$ 459,626	\$ 495,288	\$ 954,914

See accompanying independent auditors' report.

Budgeted Amounts		
Original	Final	Final to Net Variance
\$ 624,242	\$ 624,242	\$ 2,584
27,202	27,202	(579)
7,575	10,375	(517)
7,850	8,525	(6,293)
		400
274,737	284,953	23,135
822,975	822,975	(58,714)
2,036	7,036	10,039
1,766,617	1,785,308	(29,945)
352,052	360,552	47,579
315,400	315,400	86,045
1,400	1,400	400
135,515	159,190	23,965
33,352	36,868	11,227
95,091	95,091	27,515
222,148	222,148	(235,750)
807,742	1,112,155	599,223
1,962,700	2,302,804	560,204
(196,083)	(517,496)	530,259
109,700	414,113	414,113
(86,383)	(103,383)	116,146
872,277	872,277	69,874
\$ 785,894	\$ 768,894	\$ 186,020

City of Mitchellville, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$340,104. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service function by \$235,750. This was primarily due to classifying enterprise funds debt service as business type function in the published budget rather than debt service. If the proper function had been used, disbursements would not have been exceeded.

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue					
	Tax Increment Financing	Emergency Levy	Special Assessment	FEMA	Park Fund	Fire Truck Replacement
Receipts						
Property tax	\$	\$ 11,435	\$	\$	\$	\$
Tax Increment Financing	26,623					
Special Assessments			400			
Intergovernmental				542		
Miscellaneous						
Total Receipts	26,623	11,435	400	542		
Disbursements- Operating						
Public Works				3,516		
Community and Economic Development	19,142					
Total Disbursements	19,142			3,516		
Excess (deficiency) of receipts over (under) disbursements	7,481	11,435	400	(2,974)		
Other financing sources (uses)						
Operating transfers in				53		34,260
Operating transfers out		(11,435)	(400)			
Total other financing sources (uses)		(11,435)	(400)	53		34,260
Net change in cash balances	7,481			(2,921)		34,260
Cash balance - beginning of year				2,921	3,399	27,101
Cash balance - end of year	\$ 7,481	\$	\$	\$	\$ 3,399	\$ 61,361
Cash basis fund balances						
Nonspendable - Cemetery perpetual care	\$	\$	\$	\$	\$	\$
Restricted for other purposes	7,481				3,399	
Assigned						61,361
Total cash basis fund balances	\$ 7,481	\$	\$	\$	\$ 3,399	\$ 61,361

See accompanying independent auditors' report.

Schedule 1

<u>Permanent</u>		
<u>Cemetery</u>		
<u>Perpetual</u>		
<u>Care</u>	<u>Total</u>	
\$	\$	11,435
		26,623
		400
		542
1,200	1,200	
1,200	40,200	
		3,516
		19,142
		22,658
1,200	17,542	
		34,313
		(11,835)
		22,478
1,200	40,020	
36,823	70,244	
\$ 38,023	\$ 110,264	
\$ 38,023	\$ 38,023	
	10,880	
	61,361	
\$ 38,023	\$ 110,264	

City of Mitchellville, Iowa
Schedule of Indebtedness
For the year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Storm Sewer Improvement	March, 1997	5.00%	\$ 375,000
Water Treatment Plant	June, 2006	3.00%	1,050,000
Library Renovations	August, 2006	4.25%	255,000
City Hall/Center Avenue Improvements	June, 2008	2.70% - 3.90%	810,000
Capital Loan Notes Series 2009A	July, 2009	4.00%	185,000
Totals			
 TIF Development Agreement	May, 2006	0.00%	500,000
TIF Development Agreement- LMI	May, 2006	0.00%	200,000
Totals			
Revenue Bonds/Notes			
Sewer Revenue Capital Notes	May, 2004	3.00%	1,200,000
Water Revenue Bonds	September, 2005	3.00%	2,230,000
Totals			
 Urban Service Area Agreement	October, 2009	See note 3 to Financials	

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 30,000		30,000	\$	\$ 1,500
723,000		38,000	685,000	21,690
150,000		30,000	120,000	6,375
555,000		50,000	505,000	19,575
155,000		15,000	140,000	6,200
<u>\$ 1,613,000</u>	<u>\$</u>	<u>\$ 163,000</u>	<u>\$ 1,450,000</u>	<u>\$ 55,340</u>
\$ 500,000		\$ 19,141	\$ 480,859	\$
200,000			200,000	
<u>\$ 700,000</u>		<u>\$ 19,141</u>	<u>\$ 680,859</u>	<u>\$</u>
\$ 911,000	\$	\$ 53,000	\$ 858,000	\$ 27,330
1,789,000		96,000	1,693,000	53,670
<u>\$ 2,700,000</u>	<u>\$</u>	<u>\$ 149,000</u>	<u>\$ 2,551,000</u>	<u>\$ 81,000</u>
\$ 281,696	\$	\$ 25,227	\$ 256,469	\$

City of Mitchellville, Iowa
Bond and Note Maturities
June 30, 2012

General Obligation Bonds and Notes

General Obligation Bonds and Notes									
Year Ending June 30,	Water Capital Notes		Capital Loan Notes Series 2009A		Library Renovations		City Hall/Center Avenue		Total
	Issued June 1, 2006		Issued July 22, 2009		Issued August 21, 2006		Issued June 17, 2008		
	Rates %	Amount	Rate %	Amount	Rate %	Amount	Rates %	Amount	
2013	3.00	39,000	4.00	20,000	4.25	30,000	3.20	60,000	149,000
2014	3.00	41,000	4.00	20,000	4.25	30,000	3.30	65,000	156,000
2015	3.00	42,000	4.00	20,000	4.25	30,000	3.40	70,000	162,000
2016	3.00	43,000	4.00	20,000	4.25	30,000	3.50	70,000	163,000
2017	3.00	45,000	4.00	20,000			3.70	75,000	140,000
2018	3.00	46,000	4.00	20,000			3.80	80,000	146,000
2019	3.00	48,000	4.00	20,000			3.90	85,000	153,000
2020	3.00	49,000							49,000
2021	3.00	51,000							51,000
2022	3.00	53,000							53,000
2023	3.00	54,000							54,000
2024		56,000							56,000
2025		58,000							58,000
2026	3.00	60,000							60,000
Totals		\$ 685,000		\$ 140,000		\$ 120,000		\$ 505,000	\$ 1,450,000

	Water Revenue Bonds		Urban Service Area		Sewer Revenue Capital Notes	
	Issued September 21, 2005		Issued October 29, 2009		Issued May 17, 2004	
	Rate %	Amount	Rate %	Amount	Rate %	Amount
2013	3.00	99,000	0.00	13,514	3.00	55,000
2014	3.00	102,000	0.00	14,115	3.00	57,000
2015	3.00	105,000	0.00	14,715	3.00	58,000
2016	3.00	108,000	0.00	15,316	3.00	60,000
2017	3.00	112,000	0.00	15,917	3.00	62,000
2018	3.00	115,000	0.00	16,818	3.00	64,000
2019	3.00	118,000	0.00	17,418	3.00	66,000
2020	3.00	122,000	0.00	18,319	3.00	67,000
2021	3.00	126,000	0.00	19,220	3.00	69,000
2022	3.00	129,000	0.00	20,121	3.00	72,000
2023	3.00	133,000	0.00	21,022	3.00	74,000
2024	3.00	137,000	0.00	21,923	3.00	76,000
2025	3.00	141,000	0.00	23,425	3.00	78,000
2026	3.00	146,000	0.00	24,626		
Totals		<u>\$ 1,693,000</u>		<u>\$ 256,469</u>		<u>\$ 858,000</u>

See accompanying independent auditors' report

City of Mitchellville, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Government Funds
For the Last Eight Years

	2012	2011	2010	2009	2008	2007	2006	2005
Receipts								
Property taxes	\$ 626,826	\$ 607,925	\$ 591,537	\$ 534,729	\$ 503,636	\$ 484,798	\$ 499,829	\$ 492,370
Tax Increment Financing	26,623							
Licenses and permits	9,858	17,371	6,365	8,592	11,926	12,664	14,828	8,525
Use of money and property	2,232	2,927	4,300	12,799	26,476	32,527	16,155	7,166
Special Assessments	400	888	948	400				
Intergovernmental	308,088	283,315	259,532	296,142	253,493	303,544	214,152	185,486
Charges for service	121,813	85,611	93,650	93,874	127,224	126,160	113,830	113,646
Miscellaneous	17,075	23,469	20,317	76,533	106,943	681,272	62,197	35,337
Total	\$ 1,112,915	\$ 1,021,506	\$ 976,649	\$ 1,023,069	\$ 1,029,698	\$ 1,640,965	\$ 920,991	\$ 842,530
Disbursements								
Operating								
Public safety	\$ 312,973	\$ 327,179	\$ 271,759	\$ 326,809	\$ 389,989	\$ 413,684	\$ 304,815	\$ 268,519
Public works	229,355	254,744	304,644	281,503	442,743	513,887	274,089	224,577
Culture and recreation	136,225	136,693	141,008	150,021	123,509	110,388	120,699	120,433
Community and economic development	25,641	5,960	6,152	11,004	24,787	16,638	5,863	5,857
General government	67,576	53,633	96,077	99,344	111,070	78,508	92,410	90,115
Debt service	221,147	272,475	269,577	274,753	199,658	154,753	71,208	73,702
Capital projects			251,084	896,560	237,685	745,256	43,254	
Total	\$ 992,917	\$ 1,050,684	\$ 1,340,301	\$ 2,039,994	\$ 1,529,441	\$ 2,033,114	\$ 912,338	\$ 783,203

See accompanying independent auditors' report.

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Mitchellville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mitchellville and other parties to whom the City of Mitchellville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

April 30, 2013

Pollard and Company P.C.

CITY OF MITCHELLVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

PART I Findings Related to the Financial Statements

I-A-12 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts and disbursements to the general ledger, reconciliations and securities control and custody are all done by the same person.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response

The City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion- Response accepted.

PART II Other Findings Related to Statutory Reporting

II-A-12 Certified Budget

Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in debt service function.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before functional disbursements were allowed to exceed the budget.

Response

The published budget included the enterprise funds debt service as a business type function rather than debt service. If it had been classified to match the financial statements, the debt service budget function would not have been exceeded. The budget and financials will be properly coordinated in the future as applicable.

Conclusion- Response accepted.

II-B-12 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions

There were no business transactions between the City and City officials or employees during the year.

II-E-12 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-12 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-12 Deposits and Investments

Deposits and investments were in compliance with Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-12 Financial Condition

The Employee Benefits Fund had a deficit balance at June 30, 2012.

Recommendation

The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response

Note 8 of the financial statements indicate the City's plans to eliminate the deficit.

Conclusion

Response accepted.

II-I-12 Revenue Bonds and Notes

As noted in Note 3, the City did not maintain sufficient rates to service the revenue bonds and notes as required by the resolutions.

Recommendation

The City should periodically determine if rates are sufficient to provide net operating revenues which exceed 110% of the debt service required on the revenue bonds and notes.

Response

The net water and sewer receipts during the year were not sufficient due to a continuing decrease in the usage volume. Water rates were increased in January and May, 2012.

Conclusion

Response accepted.